

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4468-01
Bill No.: SB 782
Subject: Revenue Dept.
Type: Original
Date: January 22, 2010

Bill Summary: Would authorize the Department of Revenue to transmit certain statutory notices via electronic mail.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$0 or \$304,925	\$0 or \$776,090	\$0 or \$776,090
Total Estimated Net Effect on General Revenue Fund	\$0 or \$304,925	\$0 or \$776,090	\$0 or \$776,090

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of State Courts Administrator** assume this proposal would have no fiscal impact on their organization.

Officials from the **Office of the Attorney General** assume that any potential costs arising from this proposal could be absorbed with existing resources.

Officials from the **Department of Revenue (DOR)** assume this proposal would authorize DOR to collect the email address of customers and their consent to transmit potential notices by electronic mail. DOR officials assume the proposal would result in significant cost savings due to the reduction in printing, forms and postage.

The proposed change would require modification to the Missouri Driver License system (MODL), Missouri Electronic Driver License (MEDL) issuance system, web applications, and other supporting systems to collect the consent and electronic address of the customer. DOR also assumes that implementing this proposal would require system modification to generate notices for electronic communication versus mailing, modification to the Department's web site detailing the change and allowing applicants to consent to the use of an electronic communication for certain notices. In addition, DOR assumes it would need to draft and file a rule relating to electronic notices in lieu of mailing.

ASSUMPTION (continued)

The Driver License Bureau estimated cost savings as follows:

Estimated number of notices issued during FY 2009 by the Driver License Bureau:

Driver License Renewal Postcard Notices Issued	1,009,000
Renewal Letters (Haz Mat endorsement and CCW endorsement holders)	43,000
Withdrawal Notices (letter) =	864,000
Reinstatement Notices (letter) =	82,000
CTG Letters Generated FY 2009 =	<u>96,000</u>
Total:	<u>2,094,000</u>

Estimated Mailing Costs FY 09

Postcards $\$.016 \times 1,009,000 =$	\$16, 144
Postcard postage rate - $\$.028 \times 1,009,000 =$	\$28,252
Letters: $\$.025 \times 1,085,000 =$	\$27,125
Envelopes: $\$.040 \times 1,085,000 =$	\$43,400
First Class Postage Rate: $\$.44 \times 1,085,000 =$	<u>\$477,400</u>
Total	<u>\$592, 321</u>

The Driver License Bureau is basing our cost savings on an estimated 25% customer consent to electronic notifications and reduction in mailings the first year of implementation. Cost Savings $(\$592,321 \times 25\%) = \$148,080$.

ASSUMPTION (continued)

This proposal would result in savings to the Department on the cost of postage (\$0.44 per envelope), forms (\$.025 each), and envelopes (\$.040 each) by eliminating some portion of the notification by ordinary mail.

Type of Notification	Approx. # annually	Cost for materials	Savings at 25%
Marine renewal notice	100,000	\$0.505	\$12,625
Motor Vehicle renewal notice	3,600,000	\$0.505	\$454,500
Pressure sealed renewal forms	4,000,000	\$87,305	\$21,950
Generated notices (i.e. rejection letters)	424,701	\$0.510	\$53,619
Miscellaneous notices	156,371	\$0.505	\$19,742
Business Licenses - Dealer	7,000	\$0.505	\$884
Disabled Placard notices	244,903	\$0.505	\$30,919
Fleet notices	210	\$0.505	\$27
Title Application Receipts	95,000	\$0.505	\$11,994
Totals	8,628,185		\$606,260

ASSUMPTION (continued)

Toner cost savings

Due to the reduced number of forms to be printed out and mailed there would be a reduction in the number of toner cartridges for printers ordered by DOR. Assuming at least a 25% participation level in FY 11 overall the Department could anticipate savings for toner cartridges.

In FY 09 the Department ordered 489 toner cartridges for printers with an average cost of \$178 per toner cartridge and a total cost of \$87,000. (Note: different types and brands of toner cartridges cost different amounts). Using the same assumption of a 25% participation level in FY 11 the Department could anticipate savings of $(\$87,000 \times 25\%) = \$21,750$.

Overall, DOR indicated annual cost savings as follows:

Mailing	\$148,080
Materials	\$606,260
Toner	<u>\$21,750</u>
Total	<u>\$776,090</u>

The Drivers License Bureau estimated the costs to implement the proposal as follows:

User testing of changes to the MEDL, MODL and other supporting applications.

Administrative Analysts	480 hrs @ \$24 (1 1/2) per hr)	\$11,520
Management Analysis Spec II =	720 hrs @ \$23 per hr	\$16,560
Revenue Band Managers =	360 hrs @ \$30 per hr	<u>\$10,800</u>
Total		<u>\$38,880</u>

Forms/Procedure and Website information Updates related to DLB changes

Administrative Analyst III	40 hours @ \$22 per hr	\$ 880
Management Analysis Spec. I	160 hours @ 21 per hr	<u>\$3,360</u>
Total		<u>\$4,240</u>

ASSUMPTION (continued)

Contract Programming

DOR anticipates a need for Contract Programming of 400 hours for requirements and system testing. (400 hours X \$100 Hourly rate for OTC contractor) = \$40,000.

Information Technology Services

DOR included this estimate of the cost for Office of Administration, Information Technology Services Division OA-ITSD (DOR) services.

OA-ITSD (DOR) would need to modify existing programs in order to allow DOR to obtain and store customers' email addresses and send notifications by email. For motor vehicle-related notifications, OA-ITSD (DOR) would need to develop interfaces between the current motor vehicle systems and a central database of email addresses. OA-ITSD (DOR) estimated a cost of (4 FTE CIT III level (\$4441) for 7 months) = \$124,348 which includes the development and maintenance of a central Motor Vehicle database and registration process. OA-ITSD (DOR) officials assume this could be accomplished with existing resources contingent upon competing priorities.

For driver license-related notifications, OA-ITSD (DOR) would need to modify the Missouri Driver License system (MODL). OA-ITSD (DOR) estimated a cost of (4 FTE at a CIT III level (\$4441) for 4 months) = \$71,056. OA-ITSD (DOR) officials assume this could be accomplished with existing resources contingent upon competing priorities.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of normal activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Overall, DOR indicted implementation cost as follows:

Personnel	\$43,120
Contract programming	\$40,000
OA-ITSD (DOR)	<u>\$195,404</u>
Total	<u>\$278,524</u>

ASSUMPTION (continued)

Oversight assumes that this proposal would allow but not require the Department of Revenue to develop and utilize electronic communication procedures for certain statutory notices. Since this proposal would be permissive, Oversight will indicate a range of annual savings from \$0 (no implementation) or \$776,090 (full implementation).

Oversight notes that DOR has not included benefit costs in their estimate and assumes that implementing this proposal would require experienced DOR personnel, and has included the DOR estimate of personnel costs. Oversight will indicate a cost of \$0 (no implementation) or \$43,120 (full implementation). In addition, Oversight will include the DOR estimate of contract programming with a cost of \$0 (no implementation) or \$40,000 (full implementation). As noted above, Oversight assumes the estimated OA-ITSD (DOR) cost could be absorbed with existing resources and will not include those costs in this fiscal note.

Finally, Oversight will assume that this proposal would be implemented as of the DOR suggested implementation date of January 1, 2011 and will include six months of savings for FY 2011. Implementation costs would be fully incurred in FY 2011.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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GENERAL REVENUE FUND

Cost reduction - (six months in FY 2011)

Supplies, mailing, toner	\$0 or \$388,045	\$0 or \$776,090	\$0 or \$776,090
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Cost - Electronic notice system

Personnel	\$0 or (\$43,120)	\$0	\$0
Contract programming	<u>\$0 or (\$40,000)</u>	<u>\$0</u>	<u>\$0</u>
Total	<u>\$0 or (\$83,120)</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON

GENERAL REVENUE FUND	<u>\$0 or \$304,925</u>	<u>\$0 or \$776,090</u>	<u>\$0 or \$776,090</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

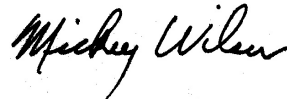
FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of the Attorney General
Office of State Courts Administrator
Department of Revenue



Mickey Wilson, CPA
Director
January 22, 2010